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FISCAL IMPACT REPORT

ORIGINAL DATE 2/19/07

SPONSOR Chasey LAST UPDATED _____ HB 1232

SHORT TITLE Video Game And Game Equipment Tax SB _____

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	3,800.0		Recurring	Health Kids Outdoor Fund
	200.0		Recurring	Taxation and Revenue Department

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

The NPD Group (www.npd.com)

Responses Received From

Public Education Department (PED)

SUMMARY

Synopsis of Bill

House Bill 1232 imposes an excise tax on the sale of televisions, video games or video game equipment equivalent to one percent of the sales price or subscription price. This tax would be in addition to the gross receipts tax and any other applicable federal or state tax. Ninety-five percent of the revenues will be distributed to the “healthy kids outdoor fund,” a fund created in the state treasury and invested as general fund revenues are invested. The remaining five percent will go to the Taxation and Revenue Department for administering the excise tax.

HB 1232 also creates the “healthy kids outdoor fund” in the state treasury. The money in the fund including any income produced by the fund, is appropriated to the energy minerals and natural resources department (EMNRD). EMNRD will expend the money in conjunction with the public education department (PED) for

- Curriculum-based programs for teachers to use on public lands and at other outdoor learning sites for outdoor education initiatives
- Hands-on teaching material for children
- Transportation for children to experience outdoor education programs

- Outdoor nature-oriented physical activity programs

FISCAL IMPLICATIONS

The fiscal impacts shown here are done without the benefit of TRD analysis. TRD is finalizing its analysis and with its input the fiscal impact may increase or decrease from these estimates.

According to the NPD group, an industry group that tracks retail sales of gaming equipment, in 2004, there was \$9.9 billion in video game console and software equipment. Assuming an equivalent amount was spent on televisions, the total nationwide for spending on appliances germane to this excise tax was \$20 billion or 1 percent of retail sales. The total spending in NM on eligible appliances is approximately \$400 million. Levying a one percent excise tax would yield an increase in revenues of \$4 million. These revenues would be distributed to the health kids outdoor fund and the taxation and revenue department.

Table One: Fiscal Impacts

Net Impact of Excise Tax	\$	4.0
Healthy Kids Outdoor Fund	\$	3.8
Taxation and Revenue Department	\$	0.2

Continuing Appropriations Language (if applicable)

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

SIGNIFICANT ISSUES

Public Education Department (PED):

The State Parks Division has 24 parks in 33 counties in New Mexico. These currently reach about five percent of school students. Through this funding, the PED and State Parks Division will develop a standards-based pilot program and resource materials, to include professional development for teachers to learn how to partner with parks' personnel and expand usage of state parks as outdoor classrooms. The departments will support and develop an evaluation component to assess both the use of parks and the effectiveness of the learning components for the project.

In 2005, the Legislature passed SJM 24, *The New Mexico Outdoor Education Initiative: Improve Education and State Parks Relationship*, requesting the PED and State Parks Division to prepare a study outlining opportunities for increased partnerships between them. The result is a partnership between the Division and PED to use the unique resources provided by the state's parks for improved and expanded outdoor education programs. The report produced through this partnership, "Making New Mexico Schools Work Outdoors," cites recent research indicating outdoor, interactive education can increase student test scores, reduce discipline problems, build citizenry skills and resource stewardship ethics and increase teacher job satisfaction. The Outdoor

Classroom Program proposes four pilot components: teacher training institutes, hands-on teacher resources, transportation funding and service learning projects.

This bill supports the strategic direction for State Parks as presented in the 2007 Executive Budget Proposal for "... increased visitation;... increased outdoor education programs for children" (p. 244).

PERFORMANCE ISSUES

PED:

The PED and State Parks Division partnership could impact the public school performance measures relating to the percent of stakeholders who rate their involvement with public schools as positive and the percent of elementary and middle school students who achieve at the level of proficient or above on the standards-based assessment in mathematics and language arts. It also supports the Math and Science Bureau's goal to improve student achievement in science. Further, the number of education programs and the percentage of park visitors participating in education programs are key performance measures for the State Parks Division. The program will assist the Division in augmenting the performance of its outdoor education programs by creating closer ties to the statewide educational system and linking Division programs and statewide educational curriculum standards and benchmarks.

OTHER SUBSTANTIVE ISSUES

PED:

There is a growing focus on developing standards-based outdoor education programs among non-profit and governmental non-formal educators (e.g., Audubon Society, Forestry Division, U.S. National Parks, etc.). The Math and Science Bureau has begun to work with the state's teacher professional organizations (Environmental Educators Association of New Mexico, the New Mexico Science Teachers Association and the New Mexico Council of Teachers of Mathematics) to provide guidance in how these outdoor education efforts and resources can best support and align with New Mexico science and math content standards and benchmarks. If this funding source became available, the New Mexico State Parks could be positioned as a key partner in coordinating the educational efforts of many governmental and non-governmental entities to provide more coherent, consistent outdoor education for school children and their teachers.

NF/csd